REMARKS

Reconsideration and allowance of the above-identified application are respectfully requested.

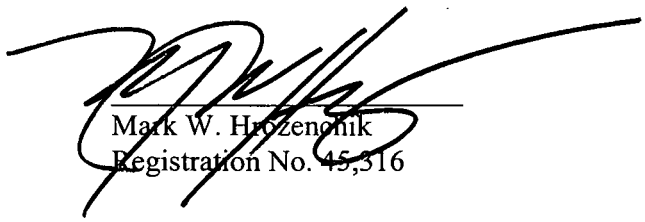
Claims 1-28 are pending, wherein Claims 1, 13, 25, and 28 are independent. Independent claim 28 has been added by the amendment filed on September 2, 2005.

Claims 13-24 stand rejected under 35 U.S.C. §101 because the claimed invention is directed towards non-statutory subject matter for he reasons provided at pages 2-3 of the Office Action mailed on April 4, 2005. This rejection is respectfully traversed.

In particular, at page 2 of the Office Action, a two-prong test is set forth as determinative of whether the subject matter of the claims is eligible for patenting under 35 U.S.C. §101: (1) whether the invention is within the technological arts; and (2) whether the invention produces a useful, concrete, and tangible result. In regard to the latter prong, the Office Action is silent. Therefore, the Applicants presume that there is no dispute that claims 13-24 produce a useful, concrete, and tangible result. In regard to the former prong, attention is directed towards the recent by the U.S. Patent and Trademark Office's Board of Patent Appeals and Interferences in *Ex Parte Carl A. Lundgren*, Appeal No. 2003-2088 (B.P.A.I. 2005), which has been designated a precedential opinion. A copy of the decision is attached hereto. In *Ex Parte Lundgren*, the Board states that "[o]ur determination is that there is currently no judicially recognized separate 'technological" arts test to determine patent eligible subject matter under [35 U.S.C.] §101. We decline to create one." *Lundgren*, at 2 [emphasis added]. Therefore, the Applicants respectfully submit that the rejection of claims 13-24 under 35 U.S.C. §101 is now moot, and should be withdrawn. Notice to that effect is earnestly solicited.

Applicants' undersigned attorney may be reached in our Washington, D.C. office by telephone at (202) 625-3500. All correspondence should be directed to our address given below.

Respectfully submitted,



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PRECEDENTIAL OPINION

Pursuant to the Board of Patent Appeals and Interference's Standard Operating Procedure 2, the opinion below has been designated a precedential opinion.

Paper No. 78

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte CARL A. LUNDGREN

Appeal No. 2003-2088
Application 08/093,516

HEARD: April 20, 2004

Before FLEMING, Chief Administrative Patent Judge, HARKCOM, Vice Chief Administrative Patent Judge, and HAIRSTON, JERRY SMITH, and BARRETT, Administrative Patent Judges.

PER CURIAM.

DECISION ON APPEAL

This is an appeal under 35 U.S.C. § 134(a) from the rejection of claims 1, 2, 6, 7, 19-22, 32, and 35-40, all the claims pending in the application.

Claim 1 is representative of the subject matter on appeal and reads as follows:

1. A method of compensating a manager who exercises administrative control over operations of a privately owned primary firm for the purpose of reducing the degree to which prices exceed marginal costs in an industry, reducing incentives for industry collusion between the primary firm and a set of

comparison firms in said industry, or reducing incentives for coordinated special interest industry lobbying, said set of comparison firms including at least one firm, said primary firm having the manager who exercises administrative control over said primary firm's operations during a sampling period, wherein privately owned means not wholly government owned, the method comprising the steps of:

a) choosing an absolute performance standard from a set of absolute performance standards;

b) measuring an absolute performance of said primary firm with respect to said chosen absolute performance standard for said sampling period;

c) measuring an absolute performance of each firm of said set of comparison firms with respect to said chosen absolute performance standard for said sampling period, said measurement of performance for each firm of said set of comparison firms forming a set of comparison firm absolute performance measures;

d) determining a performance comparison base based on said set of comparison firm absolute performance measures by calculating a weighted average of said set of comparison firm absolute performance measures;

e) comparing said measurement of absolute performance of said primary firm with said performance comparison base;

f) determining a relative performance measure for said primary firm based on said comparison of said primary firm measurement of absolute performance and said performance comparison base;

g) determining the managerial compensation amount derived from said relative performance measure according to a monotonic managerial compensation amount transformation; and

h) transferring compensation to said manager, said transferred compensation having a value related to said managerial compensation amount.

This is the second time this case has been appealed to the Board. In Appeal No. 96-0519, a merits panel reversed the examiner's rejection premised upon 35 U.S.C. § 101 (non-statutory

subject matter) of the claims then pending. The panel stated "[w]e find that the claim language recites subject matter that is a practical application of shifting of physical assets to the manager. We note the remaining claims also recite the above practical application. Therefore, we find statutory subject matter." Paper No. 49, page 7.

Dissatisfied with the outcome of the previous appeal, the Examining Corps filed a "Request for Reconsideration and Rehearing" (Paper No. 50, December 15, 1999) that lists two issues for reconsideration as follows:

> 1. Whether the invention as a whole is in the technological arts.
>
> 2. Assuming that the invention is in the technological arts, whether the claim transferring compensation to a manager is a practical application.

Id., page 2.

Appellant filed a response to the Request for Reconsideration and Rehearing (Paper No. 51, January 13, 2000).

In an opinion (Paper No. 52) mailed March 13, 2001, an expanded panel of the Board remanded the application to the examiner for two reasons. First, the record did not reflect that the examiner had considered and evaluated appellant's response to the Request for Reconsideration and Rehearing, and second, the Office of the Deputy Commissioner for Patent Examination Policy had requested that the application be remanded to the jurisdiction of the patent examiner so that issues regarding

"technological arts" and "practical application" could be further considered.

Following further prosecution before the examiner in which the examiner maintained a rejection under 35 U.S.C. § 101 (non-statutory subject matter), appellant filed a second appeal to this Board (Paper No. 64, December 12, 2002), followed by his Appeal Brief (Paper No. 69, March 13, 2003). The examiner filed an Answer on May 1, 2003 (Paper No. 70), that was followed by a Reply Brief (Paper No. 72, June 20, 2003). Oral argument was held by an expanded panel on April 20, 2004, and the case was taken under advisement.

DISCUSSION

We reverse the examiner's rejection under 35 U.S.C. § 101 (non-statutory subject matter). In reviewing the Examiner's Answer, we find the examiner refers the reader to Paper No. 60 for a statement of the rejection under § 101. We have reviewed Paper No. 60 and find that a rejection under this section of the statute is set forth on pages 4-8 thereof. The examiner states "both the invention and the practical application to which it is directed to be outside the technological arts, namely an economic theory expressed as a mathematical algorithm without the disclosure or suggestion of computer, automated means, apparatus of any kind, the invention as claimed is found non-statutory." Paper No. 60, page 7.

In reviewing the examiner's "Response to Argument" set forth at pages 3-8 of the Examiner's Answer of May 1, 2003, we first note that the examiner states that "the part of the 35 U.S.C. § 101 rejection that asserted that claims 1, 2, 6, 7, 19-22, 32, and 35-40 fail to produce a useful, concrete, and tangible result is withdrawn."[1] By withdrawing this rejection, it can be concluded that the examiner has found that the process claims on appeal produce a useful, concrete, and tangible result.

Since the Federal Circuit has held that a process claim that applies a mathematical algorithm to "produce a useful, concrete, tangible result without pre-empting other uses of the mathematical principle, on its face comfortably falls within the scope of § 101," AT&T Corp. v. Excel Communications, Inc., 172 F.3d 1352, 1358, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999), one would think there would be no more issues to be resolved under 35 U.S.C. § 101. However, the examiner is of the opinion that there is a separate test for determining whether claims are directed to statutory subject matter, i.e., a "technological arts" test.

Thus, the only issue for review in this appeal is, to use the examiner's terminology, "whether or not claims 1, 2, 6, 7,

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[1] The examiner had instituted two separate rejections under Section 101 in Paper No. 60. The first was on the basis that the claims were "nothing more than an abstract idea which is not associated or connected to any technological art," id., pages 4-7, and second was that the claims did not "achieve a practical result," id., pages 7-8.

19-22, 32, and 35-40 are limited to the technological arts, as required by 35 U.S.C. § 101." Examiner's Answer, page 3.

35 U.S.C. § 101 provides:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

As seen, claim 1 on appeal is directed to a process. Thus, one may wonder why there is any issue regarding whether claim 1 is directed to statutory subject matter. The issue arises because the Supreme Court has ". . . recognized limits to § 101 and every discovery is not embraced within the statutory terms. Excluded from such patent protection are laws of nature, physical phenomena and abstract ideas." Diamond v. Diehr, 450 U.S. 175, 185, 209 USPQ 1, 7 (1981). However, in this appeal, the examiner has not taken the position that claim 1 is directed to a law of nature, physical phenomena or an abstract idea, the judicially recognized exceptions to date to § 101. Rather, the examiner has found a separate "technological arts" test in the law and has determined that claim 1 does not meet this separate test.

The examiner finds the separate "technological arts" test in In re Musgrave, 431 F.2d 882, 167 USPQ 280 (CCPA 1970); In re Toma, 575 F.2d 872, 197 USPQ 852 (CCPA 1978); and Ex parte Bowman, 61 USPQ2d 1669 (Bd. Pat. App. & Int. 2001)(non-precedential). We have reviewed these three cases and do not

find that they support the examiner's separate "technological arts" test.

In Musgrave, the court reversed a rejection under 35 U.S.C. § 101 that the claims under review therein were non-statutory because it disagreed with the Board that "these claims . . . are directed to non-statutory processes merely because some or all of the steps therein can also be carried out in or with the aid of the human mind or because it may be necessary for one performing the processes to think." Musgrave 431 F.2d at 893, 167 USPQ 289. After so holding, the court went on to observe "[a]ll that is necessary, in our view, to make a sequence of operational steps a statutory 'process' within 35 U.S.C. § 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of 'useful arts.' Const. Art. 1, sec. 8."

We do not view the court's statement in Musgrave in regard to the technological arts to have created a separate "technological arts" test in determining whether a process is statutory subject matter. Indeed, the court stated as much in Toma. The court first noted that the examiner in that case had "cited [inter alia, Musgrave] for the proposition that all statutory subject matter must be in the 'technological' or 'useful' arts... ." Toma, 575 F.2d at 877, 197 USPQ at 857. The court then stated that cases such as Musgrave involved what was

called at that time a "mental steps" rejection and observed, "[t]he language which the examiner has quoted was written in answer to 'mental steps' rejections and was not intended to create a generalized definition of statutory subject matter. Moreover, it was not intended to form a basis for a new § 101 rejection as the examiner apparently suggests." Id. at 878, 197 USPQ at 857. We do not believe the court could have been any clearer in rejecting the theory the present examiner now advances in this case.

We have also considered Ex parte Bowman, cited by the examiner. Bowman is a non-precedential opinion and thus, not binding.

Finally, we note that the Supreme Court was aware of a "technological arts test," and did not adopt it when it reversed the Court of Customs and Patent Appeals in Gottschalk v. Benson, 409 U.S. 63, 175 USPQ 673 (1972). As explained in Diamond v. Diehr, 450 U.S. 175, 201, 209 USPQ 1, 14 (1981) (Stevens, J., dissenting) (footnotes omitted):

> In re Benson, [441 F.2d 682, 169 USPQ 548 (CCPA 1971)] of course was reversed by this Court in Gottschalk v. Benson, 409 U.S. 63, [175 USPQ 673] (1972). Justice Douglas' opinion for a unanimous Court made no reference to the lower court's rejection of the mental-steps doctrine or to the new technological-arts standard. Rather, the Court clearly held that new mathematical procedures that can be conducted in old computers, like mental processes and abstract intellectual concepts, see id., at 67, [175 USPQ at 674-675], are not patentable processes within the meaning of § 101. (Footnotes omitted.)

Our determination is that there is currently no judicially recognized separate "technological arts" test to determine patent eligible subject matter under § 101. We decline to propose to create one. Therefore, it is apparent that the examiner's rejection can not be sustained. Judge Barrett suggests that a new ground of rejection should be entered against the claims on appeal. We decline at this stage of the proceedings to enter a new ground of rejection based on Judge Barrett's rationale, because in our view his proposed rejection would involve development of the factual record and, thus, we take no position in regard to the proposed new ground of rejection. Accordingly, the decision of the examiner is reversed.

REVERSED

Michael R. Fleming Chief Administrative Patent Judge	)
Gary V. Harkcom Vice Chief Administrative Patent Judge	) BOARD OF PATENT) APPEALS) AND) INTERFERENCES
Kenneth W. Hairston Administrative Patent Judge	)